

DOING BUSINESS IN SOUTHERN AFRICA

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THE REGION



- Countries of Southern Africa belong to Southern African Development Community (SADC) with main goals of establishing common political interests and support greater trade and investment flows between members

- Established in 1992 with 14 member states
- Headquartered in Gaborone, Botswana
- The SADC Free Trade Area (FTA) is key to achieving these goals

IMPORTANT RESOURCES

- <http://www.sadc.int/> - Official website
- www.sadctrade.org – trade database
- <http://capetocongo.com/wp-content/uploads/2011/09/DB11-Southern-African-Development-Community.pdf>
 - doing business with SADC

The Region

- **Population**: 248 million – DRC, SA, Tan, Moz
 - 2/3 Rural, most countries slightly more female
- **Per capita income** up by 12% from 2009-2010 (Average US\$3,456 in 2010)
 - SA, Bot, Mau, Sey > US\$7,000
 - Ang, Les, Nam, Swaz and Zam > US\$1,000
- **Unemployment** – 21% (Unreliable data)
- Most countries are commodity based and **depend on SA imports** – need for value addition and diversification
- A regional market worth US\$360 billion and includes economies growing by up to 7% a year.

TRADE

- SADC Exports – 42% EU, 17% USA, 10% other SADC.
- Largely primary products – crude oil, mineral ores, sugar, cotton and unprocessed foods
- Stiff competition from middle income countries, who now have same preferential status.

INTRA SADC TRADE GOALS

FROM COORDINATION TO INTEGRATION

- ESTABLISH FREE TRADE AREA:
 - **Harmonizing Customs** procedures and customs classifications, introducing a single, standardized document for customs clearance throughout the region;
 - "one stop" border posts, enabling transshipment easier by enabling a single bond to be used when transporting goods across several borders with the Community.

DOING BUSINESS in SADC

- **Ease of doing business**
 - Top five are Mauritius, SA, Botswana Namibia and Zambia. Worst being DRC, Angola and Zimbabwe
- **Starting a business (time, cost, procedures)**
 - Above average are Mauritius, Madagascar, South Africa, Zambia, Lesotho, Angola
 - Average of 8 procedures and 43 days long)
- **Dealing with Construction Permits**
 - Includes legal permits, cost and procedures
 - Best procedures – Mauritius, Worst are Botswana and Tanzania
 - Cost – Best are SA and Mauritius and worst are Zimbabwe, Tanzania and DRC
 - Time taken to approve – Mauritius, Swazi and DRC and worst are Zimbabwe

DOING BUSINESS IN SADC

- **Protecting Investors (SADC ranks 5.4 on a scale of 1-10)**
 - Includes the extent of disclosure, extent of director liability and ease of shareholder suits
 - Best are SA, Mauritius, Botswana and worst – DRC, Lesotho, Zimbabwe
- **Paying Taxes**
 - Includes total number of taxes (1), time required to prepare (2), total tax rate (% of profit)(3).
 - Best (1)– Mauritius, Seychelles, Botswana, SA and worst – Zimbabwe, Tanzania, Zambia
 - Best (2) – Seychelles, Swaziland, Zambia and worst – Namibia, DRC, Lesotho
 - Best (3)- Namibia, Zambia, Botswana and worst – DRC

DOING BUSINESS

- Trading Across Borders (SADC ranks one of the worst regions in Africa)
 - Includes Documents, Time and Costs required to export and import
 - Documents – worst Malawi, Malawi and Angola
 - Time to process – Worst Zimbabwe, Angola, Zambia
 - Costs - Worst DRC and Zimbabwe

Summary of changes to business regulation in SADC in Doing Business in 2011

- **Angola** reduced the time for trading across borders by making investments in port infrastructure and administration
- **DRC** eased business start-up by eliminating procedures
- **Madagascar** continued to reduce corporate tax rates
- **Malawi** eased property transfers by cutting the wait for consents and registration of legal instruments by half

Summary of changes to SADC business regulation in Doing Business in 2011

- **Mauritius** introduced a new corporate social responsibility tax
- **Mozambique** eased business start-up by introducing a simplified licensing process.
- **The Seychelles** removed the tax-free threshold limit and lowered corporate income tax rates
- **Swaziland** strengthened investor protections
- **Zambia** eased business start-up by eliminating the minimum capital requirement
- **Zimbabwe** eased business start-up by reducing registration fees and speeding up the name search process and company and tax registration

OTHER PERSONAL AND BUSINESS CONSIDERATIONS

- **Security** – Political, Legal Issues, Personal Safety
- **Negotiation Skills** – Cultural hierarchy (men and women), command respect
- **Cultural Factors** – respect and appreciate nuances in different countries & within countries
- **Relationship Management** – Time looked at differently, physical presence, Trust

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OTHER RESOURCES

- EMBASSIES – LOCAL AND INTERNATIONAL
- ONLINE FORUMS – LINKED IN, REGIONAL CHAMBERS OF COMMERCE
- WTA – RESOURCES, TRADE MISSIONS
- FEDERAL RESOURCES, etc..